



# **PURCHASING & BUYING POLICY**

## INTRODUCTION AND PURPOSE

The key roles of Procurement are to maximise the long-term business value of the Carlsberg Group, contribute to innovations and new product development, secure supply at the lowest total cost of ownership and highest quality, and minimise business risk in the Carlsberg Group's purchasing transactions. This is achieved by maintaining good systematic control over suppliers, product flows and purchasing processes, and by utilising the Carlsberg Group's combined purchasing power and global expertise through the coordination of purchasing activities between subsidiaries.

## SCOPE

This policy applies globally to all employees and contract workers of all entities in the Carlsberg Group (i) who request or source goods or services that the Carlsberg Group will pay for directly; and (ii) in which the Carlsberg Group holds a majority of the shares or otherwise has a controlling influence, i.e. not only to employees of the Procurement function.

The requirement to comply with this policy needs to be acknowledged in writing on an annual basis by all employees of the Procurement function. Employees of all other functions globally, from manager level and above have to have introduction to the Policy during on-boarding process with refresher awareness training in case of policy changes.

This policy covers the end-to-end Source-to-Pay procurement process for all spend with external parties, **excluding** spend with or relating to customers, or related to payments to customers linked to commercial agreements; payroll, pension, employee benefits, tax/other government dues, intercompany payments, legal penalties/ settlements, bank charges, donations, duties and customs, financial transactions with banks, insurance companies and brokers.

# REQUIREMENTS

## 1. REQUESTING GOODS AND SERVICES

**1.1.** When purchases or projects with a value<sup>1</sup> above EUR 100,000 (or the equivalent in local currency based on budget rate for the period) are known by the functional stakeholders, the Procurement function shall be contacted in written form to discuss their involvement in the process. The Procurement function will evaluate their participation by considering use of resources compared to savings potential and other relevant issues. However, a Sourcing Summary needs to be submitted and contract completed by the initiating stakeholder in cases where Procurement does not take the lead. In cases where Procurement takes the lead, a Sourcing Summary will be submitted by Procurement.

**1.2.** In regions where a Procurement Shared Services (PSS<sup>2</sup>) is established and the PSS provides sourcing services, when purchases or projects with a value<sup>1</sup> above EUR 20,000 (or equivalent in local currency based on budget rate for the period) are known by the functional stakeholders, the PSS shall be contacted to align on the involvement of the Procurement function in the process.

## 2. SOURCING PROCESS AND CHOICE OF SUPPLIER

**2.1.** The main selection criterium when choosing a supplier is maximising the long-term total business value of the Carlsberg Group by having long-term and uninterrupted access to the most suitable product/service, at defined

quality, lowest total cost of ownership (TCO), return on investment (ROI) and supporting Carlsberg's Sustainability agenda.

**2.2.** Suppliers to the Carlsberg Group must be screened in accordance with the Carlsberg Group's screening requirements (anti-bribery & corruption, trade sanctions and financial).

**2.3.** Group Procurement will, on annual basis, conduct a risk assessment to identify critical supplies and/or suppliers and develop a contingency plan for them, where required.

**2.4.** All purchases of direct and indirect goods and services with a total value<sup>1</sup> above EUR 100,000 can only be concluded after:

**2.4.1.** Completion of a competitive (minimum 3 bids) sourcing event (exceptions to be explicitly explained and approved in the Sourcing Summary); and

**2.4.2.** Completion of a Sourcing Summary<sup>3</sup>; and

**2.4.3.** Approval of the Sourcing Summary according to the Sourcing Summary Approval Matrix.<sup>4</sup>

**2.5.** All purchases of direct and indirect goods and services with a value<sup>1</sup> below EUR 100,000 can only be concluded based on a PO and General Terms and Conditions (GTCs) issued to a supplier.

**2.6.** The E-tendering system (online competitive sourcing) is recommended to be used for all sourcing projects.

<sup>1</sup> Value means the total expected purchase sums ex VAT of the agreements with all third parties resulting from the tender event for which approval is sought

<sup>2</sup> PSS (Procurement Shared Services) also known as POC (Procurement Operating Center)

<sup>3</sup> In exceptional cases where the spend was initially anticipated to remain below the threshold (and therefore no Sourcing Summary was required) but the actual spend supersedes the threshold, the need for completing a sourcing summary can be waived by Legal on a case by case basis.

<sup>4</sup> Sourcing Summary Approval Matrix reflects the Chart of Authority (incl. four-eyes principle) for the entry into of third-party procurement contracts for the supply of goods and services globally

**2.7.** Financial benefits (e.g. savings) from the sourcing project must be captured in the tracker system i.e. Sievo by Procurement employees (including the cases where Procurement does not take the lead).

### **3. SUPPLY AGREEMENTS**

**3.1.** For all spend with third parties, as a minimum, the general terms & conditions of procurement of the respective legal purchasing entity within the Carlsberg Group<sup>5</sup> must apply, unless a legally pre-approved template, a P-Card is used, or a supplier's template is approved by Legal. Any deviation from these guidelines requires the approval of Legal.

**3.2.** For all spend with third parties with an expected contract value higher than EUR 100,000<sup>6</sup> (or the equivalent in local currency based on budget rate for the period) a supply agreement must be concluded based on the latest agreement template provided by Legal<sup>7</sup>. Any deviation from these guidelines requires the approval of Legal.

**3.3.** In order to maintain sourcing flexibility and secure continuously competitive terms & conditions, all Carlsberg Group supply agreements must contain clearly defined contract expiry/termination clauses and exit procedures for the Group in accordance with standard Group framework supply agreements. Exceptions to this shall be prior agreed with Legal. Volume commitments and supplier's exclusivity shall be avoided whenever possible.

**3.4.** All contracts must be signed in accordance with the Chart of Authority of the legal entity entering into the contract by two authorized Carlsberg employees.

**3.5.** All contracts, Sourcing Summaries and other mandatory supporting documents (as defined by the ISC Contracting Guidelines) must be duly registered and uploaded in an approved contract management system, e.g. Ariba or another system approved by Group Procurement.

**3.6.** The actual physical version of the signed contract document must be archived in accordance with the guidelines set by local Legal.

### **4. PURCHASE-TO-PAY**

**4.1.** All purchases for direct materials require a Purchase Order (PO) number or a call-off PO number linked to a contract.

**4.2.** All purchases for indirect goods and services require a purchase order, or purchase order with the reference to a contract (unless another buying channel is authorized in the relevant "No PO No Pay Manual").

**4.3.** For purchases below EUR 2,000, preferably a P-Card shall be used in order to minimize transactional cost (see P-Card Manual). This requirement applies, when P-Card is available in the market and the relevant supplier accepts P-cards.

**4.4.** Procurement must approve the registration of all suppliers in scope of this policy, prior to the actual purchase.

**4.5.** All suppliers used, must be registered in the local ERP system.

**4.6.** Sourcing can only be conducted with suppliers registered and unblocked suppliers in the local ERP system.

<sup>5</sup> The general terms & conditions must be based on the Carlsberg Group approved standard

<sup>6</sup> In circumstances, where local or legal requirements are stricter or more demanding, then the local (legal) requirements will be followed.

<sup>7</sup> In exceptional cases where the spend was anticipated to remain below the threshold (and therefore no contract was concluded) but the actual spend supersedes the threshold, the need for concluding a contract can be waived by Legal on a case by case basis

**4.7.** All suppliers not used during the previous 18 months<sup>8</sup> must be marked as “inactive” or “ready for deletion” in the ERP system, unless they are required to remain for legal or accounting reasons.

**4.8.** Procurement must ensure transparency on the number of suppliers and spend per supplier on a monthly basis.

**4.9.** Changes to vendor master data can never be executed solely by Procurement Employees and must follow an authorized four-eyes principle.

<sup>8</sup> In circumstances, where local or legal requirements are stricter or more demanding, then the local (legal) requirements will be followed.

## ROLES AND RESPONSIBILITIES

Body/function/individuals	Roles and responsibilities
<b>ExCom</b>	Responsible for policy approval.
<b>EVP Integrated Supply Chain (ISC)</b>	Owns, endorses and ensures the implementation of the policy.
<b>CPO/Group Procurement</b>	Policy owner with overall responsibility to ExCom for procurement issues in the Carlsberg Group and for ensuring that material procurement risks in the Group are duly attended to and communicated to ExCom/the Audit Committee/the Supervisory Board as relevant. The CPO has functional responsibility for all purchasing activities within the Carlsberg Group and for compliance with this policy and its appendices. This responsibility includes coordinating Carlsberg Group purchasing activities. Procurement must monitor compliance with this policy through regular checks and report violations. In addition, Finance must conduct regular audits through Internal Audit.
<b>Country Managing Directors &amp; CFO</b>	Responsible for ensuring that this policy is implemented and adhered to on the legal entity level, and that all relevant employees are made aware of the policy and its requirements.
<b>Local Procurement Business Partner</b>	Responsible for roll-out at the legal entity level within the Procurement function.
<b>All employees of the Carlsberg Group and contractors who make requisitions on behalf of the Group</b>	Responsible for adhering to this policy. Failure to comply with this policy may have severe consequences, including disciplinary action that may ultimately lead to termination of employment.

# GLOSSARY

## Direct goods

Materials directly related to the manufacture process and included into COGS (i.e. raw, packaging and auxiliary materials, CIP, detergents, lubricants, utilities etc.).

## Indirect goods and services

Materials and activities that are not directly related to the manufacture and production of our products, including:

- Marketing services and point-of-sale materials: media creation and production, media activation, below the line (non-broadcast media spend such as experiential marketing, event marketing, shopper marketing, sampling, third-party sales support, couponing, advocacy and trade channel activation), market research, sponsorship, all POS materials and sales capex.
- Professional services: audit fees and financial services (including, but not limited to, the use of external, internal and third party audit firms for services outside existing contractual terms), consulting services, outsourcing agreements for any function, legal services, memberships and subscriptions, broker services.
- Human resources services: car fleet, recruitment, relocation, temporary labour, training.
- Information technology: projects, end-user computing, infrastructure, software, telecommunications, telepresence.
- Travel and entertainment: transportation (air, train, taxi), hotels, corporate events, meals, entertainment, travel management companies.
- Facilities: hard services (building maintenance, snow removal, electric and plumbing work etc.), soft services (catering, cleaning, reception etc.), building and office leases, building capex projects, office supplies, mailroom services, security services.

- Production equipment and maintenance/repair/overhaul (MRO): capex production equipment (brewing, fermenting, filling, packaging etc.), utilities, MRO parts, external services.
- Logistics equipment and services: third-party agreements for transportation, warehousing or distribution, forklifts, trucks and truck maintenance.
- Third party products (3PP).
- External production.

## Initiating stakeholders

Internal initiator of the purchase / Budget or cost center owner.

## P-Card

A departmental credit card with a spend limit, linked to the departmental cost center, which allows purchases without Purchase Order. The threshold amount can be lowered based on the local management decision

# DEVIATIONS

No exemptions from this policy can be granted unless there are exceptional circumstances or the policy is obviously not applicable. All requests for exemptions must be made in writing to the CPO. The CPO must assess and decide/approve on each request individually in writing. Exemptions must be duly logged and documented in Ariba work flow, where a cover note has to be created and submitted for approval. Regional- or Country-specific changes may, on the exceptional basis be agreed, documented accordingly and approved in writing by the CPO in the aforementioned Ariba work flow..

# POLICY REVISION

This policy will be reviewed annually. It may be amended at any time with the approval of ExCom. In the event of any discrepancies between the English version of this policy and a translated version, the English version will prevail.

## **ASSOCIATED POLICIES AND MANUALS**

Other policies (and documents) with a strong link to this policy include, but are not limited to:

- Code of Ethics & Conduct
- Anti-Bribery & Corruption Manual (including Third Party Screening)
- Trade Sanction Screening Policy
- Payment Term Manual
- Supplier & Licensee Code of Conduct
- Group Chart of Authority for the Carlsberg Group
- Chart of Authority for the relevant legal entity
- Chart of Authority for (i) Carlsberg Supply Company AG and supply operations in Western Europe Region; (ii) OPEX for CSC; (iii) entry into of CAPEX agreements relating to local supply companies; and (iv) entry into of third party procurement contracts for the supply of goods and services globally
- P-card Manual
- Professional Services Manual
- Buying Channels Manual
- Western European Car Manual
- Suppliers' Financial Screening Manual
- Sourcing Summary
- Personal Data Protection Manual
- Legal and Intellectual Property Policy and Legal Manual
- ISC Contracting Guidelines

## **CONTACT**

For more information, please contact the CPO or Procurement Category Director in Group Supply Chain.



ENGLISH



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